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[redacted]-1324-59
5 of 8
25 February 1959

MEMORANDUM FOR: Director of Administration, DFD-DD/P

SUBJECT : Comments on Trip Report [redacted] 25X1
(DFD-[redacted]-59 dated 5 February 1959)

1. On 20 February 1959 you handed me subject document which is attached and asked that the provisions of the report be examined against the financial records with comments supplied to you as deemed appropriate after review. The response is as follows:

a. We are not in a position, through the performance of a desk review of accountings, to determine the extent of work that is required by a supplier under any contractual arrangement. I feel quite sure that the writer of DFD-[redacted]-59 is in a much better position to advise as to the extent of required performance. For your information, however, we have paid Ryeom Manufacturing Company, under contract number DC-450, (a Time and Material Agreement) a total of $117,435.46 for customer one (CHALICE) and $120,214.29 for customer two (USAF) during the period July through December 1958. Through analysis of the CHAL portion, we find that $110,665.92 of the $117,435.46 was expended for labor, burden and profit thereon. This left less than $7,000.00 for material and travel costs directly applied, as well as burden and profit for these two elements. This indicates one of two things - to wit, that the contractor is either securing his material or components utilized in the maintenance of our equipments from the Project Supply Depot, or a considerable amount of the $110,665.92 salary costs would be made up of stand-by labor. The reason for this feeling, if not obvious, is that a very little amount of rework could be performed without component parts and few parts could be bought with a portion of $7,000.00.

b. Under paragraph 6a. of the Trip Report, it is indicated that the contractor has stated there would be no money saved the Project by removing a Ryeom ten from the Test Site. The contractor's position in this respect should be modified for the reason that it has been his practice in the past to pay a per diem when personnel are rendering services at Edwards Air Force Base. Further, this per diem takes its proportionate burden and the element of profit. This could or could not be a major saving dependent upon the number of individuals assigned to the Test Site team, but there would in any event be a per diem saving.

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4. Under paragraph number 12, it is stated that Eycon at present has one man [redacted] on hand that can be trained as back-up for either detachment. This position is somewhat difficult to reconcile after examination of the Trip Report and when one considers the contractor's statement that he has 45 employees currently charged against Contract DC-450. The question that immediately arises is why 44 of these employees or a majority of them should not be qualified and available for overseas' assignment. 25X1

5. It is my understanding that the USAF Cost Auditors have been quite concerned with the allocation of costs by the contractor to this agreement and that they have stated their concern in Reports Number 244, 269 and 307 under the respective dates of 20 November 1956, 7 January and 8 February 1957. Copies of these reports, even though they should have reached the undersigned, have not been received at this writing. The reports are in the possession of the Contracting Officer and should you desire comments with respect to the conditions recited therein, such information will be reported to you upon receipt of these documents. We should establish a system whereby a copy of such audit comment would reach me on a more timely basis.

6. In general, my view is that the conclusions and recommendations expressed by the writer of IPD-0606-57 are completely sound and a review of the endeavors of Eycon Manufacturing Company should be accomplished at the earliest practicable date as a team effort. A member of the Contracting Office, the Engineers and Accountants should confront the company and make a thorough review of this situation and follow through to the extent of insuring that the company is either correctly operating under the agreement or that corrective measures are promptly effected.

/s/
[redacted]
Comptroller, IPD-DO/P

25X1

Attachment: a/s

Dist: 3 & 1 - Add
2 - Contracting Off, IPD-DO/P
4 - Dir DEP, IPD-DO/P
5 - [redacted]
6 - DC-450 (File)
7 - Reading (File)
8 - Chron

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ORIGINAL DOCUMENT MISSING PAGE(S):

Attachments missing

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